



### **The Open-ended Nature of Broad-Based Black Economic Empowerment**

When he briefed the media yesterday before the debate on the Broad-Based Black Economic Empowerment Bill in Parliament, Minister of Trade and Industry, Rob Davies, said that the country was nowhere near the point where a sunset clause for BBBEE measures could be considered. He said that according to a 2007 survey by the University of Pretoria, most companies were still at the lowest level of BBBEE.

As we pointed out in our recent [submission](#) to the parliamentary portfolio committee on the BBBEE Amendment Bill, the BBBEE process is open-ended with regard to both its scope and its duration.

The final goal of BBBEE is demographic representivity - as Davies pointed out when he introduced the revised BBBEE Codes of Good Practice on 2 October last year:

"Black economic empowerment is not just a social and political imperative. We need to make sure that in the country's economy, control, ownership and leadership are reflective of the demographics of the society in the same way the political space does. That's why we are saying BEE remains an economic imperative. We cannot expect to grow and develop as a country if the leadership of the economy is still in the hands of only a small minority of the society..."

We can accordingly expect the BBBEE targets in terms of ownership; racial composition of boards; management and employees; and procurement to be ratcheted up in future Codes of Good Practice until the National Democratic Revolution's broad goal of demographic representivity in the private sector has been achieved.

However, this massive process of economic and social engineering will not promote economic growth as Minister Davies imagines. Economic growth is driven by entrepreneurship, competition, innovation and cost-effectiveness - and not by intricately constructed racial prescripts. The more Minister Davies drives his BBBEE agenda, the fewer incentives there will be to launch and grow successful companies and to continue to ensure the profitability of the companies we now have.

If entrepreneurs cannot freely choose their own partners - regardless of race; if they cannot appoint key personnel on the basis of qualifications, experience and talent - regardless of race; and if they cannot buy goods and services on the basis of price, quality and delivery time - regardless of race - they know for a certainty that their undertaking will fail and that all of those involved - regardless of race - will lose out. Why should entrepreneurs take all the risks - and go to all of the expense of starting new companies - if they know that sooner or later they will be required to surrender control and ownership of their ventures to others simply on the basis of their race?

As the Foundation argued in its submission to parliament on the BBBEE Amendment Bill, the whole concept of BBBEE is unconstitutional. It also breaches South Africa's obligations in terms of the Convention of the Elimination of All Forms of Racial Discrimination in as far it creates *de facto* separate rights for black and white South Africans and does so on a



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permanent basis - because it provides no cut-off dates or final goals.

BBBEE has its roots in the racial agenda of the National Democratic Revolution - and not in the Constitution or in any rational consideration for the economic well-being of South Africa and all of its people.

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